J. J. Newberry Co.

1971 Annual Report

About Newberrys

	UNITED STATES
Britts	Full line department stores
Newberry's	Department and variety stores and fabric shops
Hesteds	Department and variety stores
Lee's	Department and variety stores
Maternally yours	Maternity Fashion Shops
LEE'S	Discount Stores
TRADEHOME SHOES	Family Shoe Stores
Wm Tally House	Free standing restaurants and cafeterias
Holland House	Free standing restaurants and cafeterias
new B's	Free standing restaurant
	CANADA
UNITED	Department and variety stores
Britts	Full line department stores
Sweet Sixteen	Women's specialty shops
Albertinos	Family Shoe Stores
H Harrison	Drapery and Fabric shops
GAULT	Manufacturers, wholesale and variety stores

J. J. NEWBERRY CO., 245 FIFTH AVENUE, NEW YORK, N.Y. 10016

Comparative Highlights

	1971‡	1970‡
Sales	$418,820,000	$414,558,000
Net Income (loss)	$ (5,635,000)	$ 3,030,000
Primary Earnings Per Common Share:		
Income from United States Operations	$ .16	$2.03
Loss from Continuing Canadian Operations	$(.21)	$(1.14)
Loss from Discontinued Canadian Operations		$(.45)
Extraordinary Items, net	$(3.02)	$ .93
Net Income (loss)	$(3.07)	$1.37
Dividends per Common Share	$ .75	$1.00
Depreciation and Amortization	$ 5,253,000	$ 4,912,000
Working Capital	$ 53,336,000	$ 56,933,000
Current Ratio	2.0 to 1	1.8 to 1
Common Stockholders' Equity	$ 69,103,000	$ 76,539,000
Book Value per Common Share	$35.54	$39.39
Number of Units at Year-end:		
United States	584	591
Canada	157	155

‡Years which end January 31st of the subsequent year.

The common and preferred stocks of J. J. Newberry Co. are listed on the New York Stock Exchange.

Contents

To Our Shareholders

Contained in this report are operating results for the fiscal year ended January 31, 1972.

Sales rose to a record high of $418,820,000 and net income, before extraordinary items, was $240,000. After provision for dividends on Preferred stock, this is equivalent to a loss of $.05 per share of common stock. Extraordinary items, consisting principally of a provision for losses in connection with a store closing program, amounted to $5,875,000, net of related federal income taxes, or a loss of $3.02 per share. Consequently, the net loss for the fiscal year ended January 31, 1972 was $5,635,000 or $3.07 per share.

Earlier this month, the boards of directors of J. J. Newberry Co. and McCrory Corporation approved the agreement for the merger of the two companies.

Under the terms of the agreement, McCrory will become the owner of all the outstanding common stock of Newberry. The holders of common stock of Newberry will receive in exchange for each share of such common stock, at their election, either 7/10 of a share of McCrory common stock or $30 principal amount of a new McCrory 25-year 7⅝% subordinate debenture. Newberry's outstanding cumulative preferred stock will remain outstanding and unchanged.

On April 10, 1972, the definitive merger agreement was executed by the respective parties.

Shareholders of the two companies will be asked to approve the merger agreement at meetings to be held shortly. A copy of this agreement will appear in the proxy statement now being prepared and will be furnished to all shareholders in advance of the meetings.

Respectfully submitted,

WALTER C. STRAUS
Chairman

April 17, 1972

Consolidated Statements of Income and Retained Earnings

Years Ended January 31

	1972	1971
Net sales	$418,819,917	$414,558,304
Costs of merchandise sold, including occupancy and buying costs	299,522,269	289,860,310
	119,297,648	124,697,994
Selling and general expenses	115,481,216	115,319,147
Operating income	3,816,432	9,378,847
Interest expense	3,375,948	3,567,244
	440,484	5,811,603
Loss from discontinued Canadian operations (Note 2)		878,257
Income before provision for federal income taxes and extraordinary items	440,484	4,933,346
Provision for federal income taxes (Notes 1 and 5):		
Currently payable	1,410,000	3,015,000
Deferred, net	(1,210,000)	710,000
	200,000	3,725,000
Income before extraordinary items	240,484	1,208,346
Extraordinary items (Notes 1, 2 and 3):		
Provision for losses in connection with store closing program, net of applicable income tax reductions of $5,540,000	(6,000,000)	
Utilization of Canadian tax-loss carry forwards	125,000	
Gain from sale of leasehold interest in a domestic warehousing facility, net of applicable income taxes of $770,000		2,247,000
Provision for losses in connection with the discontinuance of operations and the sale of certain assets of a wholly-owned Canadian subsidiary, net of applicable income tax effect of $390,000		(425,000)
	(5,875,000)	1,822,000
Net income (loss) for year (Note 1)	(5,634,516)	3,030,346
Retained earnings, beginning of year	62,918,241	62,186,889
	57,283,725	65,217,235
Cash Dividends:		
Preferred stock, $3.75 per share	334,200	338,756
Common stock, $.75 per share in 1972; $1.00 per share in 1971	1,501,084	1,960,238
	1,835,284	2,298,994
Retained earnings, end of year	$ 55,448,441	$ 62,918,241
Earnings per common share (Note 4):		
Primary:		
Income (loss) before extraordinary items	$(.05)	$ .44
Extraordinary items	(3.02)	.93
Net income (loss)	$(3.07)	$1.37
Fully diluted:		
Income before extraordinary items		$ .52
Extraordinary items		.77
Net income		$1.29

Depreciation and amortization of improvements to leased premises charged against income in the years ended January 31, 1972 and 1971 amounted to $5,253,000 and $4,912,000, respectively.

The accompanying notes are an integral part of the financial statements.

Consolidated Balance Sheets

ASSETS

	January 31	
	1972	**1971**
Current Assets:		
Cash	$ 4,519,178	$ 7,216,700
U.S. Treasury bills, at cost plus accrued interest		200,112
Accounts receivable:		
Customers, including equity of $990,401 and $1,042,463, respectively, in accounts sold	7,631,602	8,365,186
Receivable from sale of leasehold interest		4,000,000
Other	2,379,735	2,049,847
	10,011,337	14,415,033
Less, Allowance for doubtful accounts	916,000	912,000
	9,095,337	13,503,033
Merchandise on hand and in transit, at lower of cost (principally retail method) or market	91,358,924	102,572,655
Prepaid expenses	2,686,264	2,407,390
Deferred income tax reductions (Note 5)	397,000	
Total Current Assets	108,056,703	125,899,890
Property and Equipment, at Cost:		
Land	2,489,061	3,051,404
Buildings and improvements	5,937,895	5,775,177
Fixtures and equipment	55,372,958	55,470,446
Improvements to leased premises	33,045,782	33,237,396
	96,845,696	97,534,423
Less, Allowance for depreciation and amortization	44,808,399	43,110,407
	52,037,297	54,424,016
Deferred Income Tax Reductions, net (Note 5)	5,113,000	
Deferred Charges and Other Assets	3,724,128	3,478,844
Excess of Investment in Subsidiaries Over Net Assets Acquired	6,275,000	5,938,000
	$175,206,128	$189,740,750

The accompanying notes are an integral part of the financial statements.

LIABILITIES

	January 31	
Current Liabilities:	**1972**	**1971**
Canadian bank advances	$ 3,260,470	$ 4,911,193
Short-term notes payable	6,600,000	
Accounts payable and accrued liabilities	40,378,133	58,897,939
Current instalments on long-term debt (Note 6)	1,582,673	1,580,837
Reserve for store closing programs (Note 3)	2,500,000	500,000
Federal income taxes	399,000	2,435,000
Deferred federal income taxes (Note 5)		642,000
Total Current Liabilities	54,720,276	68,966,969
Deferred Federal Income Taxes (Note 5)		678,000
Long-Term Debt (Note 6)	23,788,944	25,371,617
Reserve for Store Closing Programs (Note 3)	15,345,000	6,339,000
Other Long-Term Liabilities	3,336,582	2,933,975

STOCKHOLDERS' EQUITY

Capital Stock (Notes 7 and 8):		
Cumulative preferred stock, par value $100 per share; authorized, 114,120 shares, issuable in series; issued and outstanding, 89,120 shares, 3¾% series (redeemable at $101.50 per share, plus accrued dividends)	8,912,000	8,912,000
Common stock, no par value; authorized, 5,000,000 shares; issued, 2,017,020 shares	14,190,205	14,165,437
Retained Earnings (Note 6)	55,448,441	62,918,241
	78,550,646	85,995,678
Less, 72,630 shares of common stock held in treasury, at cost	535,320	544,489
	78,015,326	85,451,189
	$175,206,128	$189,740,750

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

1. The accompanying financial statements include the accounts of the Company and all subsidiaries, including the following Canadian subsidiaries—United Stores of Canada, Limited, Oslind Shoppes Limited, Sweet Sixteen, Ltd., McArthur's Ladies Wear Ltd., Harrison's Famous Fabrics Ltd. and Albertino's Shoes Ltd.—acquired as of April 1, 1967, February 1, 1968, August 1, 1968, February 1, 1969, July 1, 1969 and September 1, 1969, respectively. Two additional Canadian subsidiaries — Gault Brothers Limited and Sterling Shoes Ltd.—were acquired as of February 1, 1970. In addition, two domestic subsidiaries—Tradehome Shoe Stores, Inc. and Maternally Yours, Inc.—were acquired as of August 1, 1969 and September 1, 1969, respectively.

   The purchase agreements underlying the acquisitions of these companies provide for contingent future payments not to exceed $5,075,000 based on earnings (as defined) for periods ending approximately three to five years from the respective dates of acquisition. At January 31, 1972, the Company has accrued or paid $1,479,000 under these agreements based on earnings (as defined) through that date.

   The sellers of two of these companies have the option of receiving cash or common stock of the Company (see Note 8).

   For financial reporting purposes, all of the above aquisitions have been treated as purchases. Accordingly, the operations of these subsidiaries have been included in the consolidated statements of income from the respective dates of acquisition. In this connection, net sales and net loss of the Canadian operations (exclusive of Oslind Shoppes Limited—Note 2) aggregated $46,285,000 and $274,000 (including an extraordinary credit of $125,000) respectively, for 1972 and $39,917,000 and $2,229,000 respectively for 1971. The aforementioned net loss of the Canadian operations for the year ended January 31, 1972 includes approximately $370,000 of U.S. Federal income tax benefits attributable to losses incurred by Canadian branches of a U.S. corporation that are deductible for U.S. tax purposes.

   With respect to certain Canadian subsidiaries, in the determination of consolidated net income for the year ended January 31, 1971, no recognition was given to the prospective tax benefits related to tax-loss carryforwards which then approximated $2,560,000. During the year ended January 31, 1972, $125,000 of such tax benefits were realized and appropriately reflected as an extraordinary item. At January 31, 1972, available Canadian tax-loss carryforwards approximated $2,600,000. The tax benefits of such loss carryforwards will be reflected in net income when and if realized.

   At January 31, 1972, the net assets of all Canadian subsidiaries and branches aggregated approximately $2,000,000. In translating such net assets at January 31, 1972, no recognition has been given to the credit resulting from the fluctuation of the Canadian exchange rate.

2. During the year ended January 31, 1971, the Company sold certain of the assets of Oslind Shoppes Limited and discontinued the remaining operations. Accordingly, the losses from these operations for the year ended January 31, 1971 have been reported separately and provision has been made for the extraordinary losses related to the sale of assets and final termination of operations.

3. During the year ended January 31, 1972, the Company's Board of Directors authorized the adoption of a new program to close certain unprofitable stores. A substantial portion of the estimated extraordinary charges expected to be incurred in connection with this program represents payments to be made under existing store lease agreements (net of estimated sub-rental income) and under fixture lease agreements, expiring between 1974 and 1994. Accordingly, the aggregate liability for such payments has been reflected as $8,400,000 which represents the present value of such future estimated payments based upon an assumed 7% interest rate. The difference (approximately $4,600,000) between such present value amount and the aggregate payments expected to be made will be amortized as interest expense over the lives of the respective leases on a declining balance method (the "interest" method).

   During the year ended January 31, 1967, the Company's Board of Directors had authorized a similar program to close unprofitable stores. At January 31, 1972 for financial reporting purposes, the remaining balances in the current and deferred portions of the reserve related to this prior program ($500,000 and $5,805,000, respectively) have been combined with the corresponding portions of the reserve related to the recently authorized program.

4. Primary net income (loss) per share (after Preferred dividends) was based on the average shares outstanding in the respective years. Giving effect to the prospective issuance of shares, as appropriate, under the various Company stock plans, and to the exercise of warrants (Note 8), and to the issuance of contingent shares in connection with the acquisition of certain subsidiaries (Note 1) would either have an anti-dilutive or immaterial effect on primary net income per share. Fully diluted net income per share for the year ended January 31, 1971, has been computed by giving effect to the potential conversion of the Convertible Subordinated Debentures (Notes 6 and 8).

   Fully diluted earnings per share has not been presented for the year ended January 31, 1972 as the assumed conversion of the Convertible Subordinated Debentures would be anti-dilutive.

5. For financial reporting purposes, profits on all sales are recognized at time of sale. For federal income tax purposes, profits on certain credit sales are deferred to future periods by use of the instalment method.

   Depreciation on property and equipment is provided on the straight-line basis for financial reporting purposes. For tax purposes, in prior years, depreciation was provided by use of accelerated methods. In this connection, however, the Company expects to change to the straight-line basis of depreciation with respect to the remaining undepreciated cost of certain property and equipment acquired in prior years. In addition for tax purposes, the Company expects to adopt the straight-line basis of depreciation for property and equipment purchased during the year ended January 31, 1972.

Deferred federal income taxes comprised:

	January 31, 1972	January 31, 1971
Deferred income tax reductions, net—current:		
Related to store closing programs (Note 3)	$1,200,000	$ 240,000
Less, tax related to gross profit on instalment sales	803,000	882,000
	$ 397,000	$(642,000)
Deferred income tax reductions, net—noncurrent:		
Related to store closing programs (Note 3)	$7,366,000	$3,043,000
Less, tax related principally to the use of accelerated methods of depreciation	3,987,000	4,944,000
Other	(1,734,000)	(1,223,000)
	$5,113,000	$ (678,000)

The provisions for federal income taxes have been reduced by Investment Tax Credits, which are recognized in income as generated, in the amounts of $75,000 and $175,000 for the years ended January 31, 1972 and 1971, respectively.

6. At January 31, 1972, long-term debt comprised:

	Current	Noncurrent	Total
Mortgages Payable	$ 20,557	$ 65,894	$ 86,451
3¾% Sinking Fund Notes, payable to May 15, 1976	500,000	4,000,000	4,500,000
3⅛% Notes, payable to January, 1975	29,116	421,050	450,166
5¼% Subordinated Notes, payable annually to October, 1981	1,033,000	9,302,000	10,335,000
6½% Convertible Subordinated Debentures due August 1, 1994	—	10,000,000	10,000,000
	$1,582,673	$23,788,944	$25,371,617

The mortgages, bearing interest at rates of 4½% and 5%, are payable in various amounts through July 1, 1976.

The sinking fund note indenture provides for annual sinking fund payments of $500,000 through May 15, 1975, and the balance of $2,500,000 payable on May 15, 1976. The Company has the option of making certain additional sinking fund payments annually, without premium.

Certain prepayment privileges are available to the Company with respect to the long-term notes payable which provide for declining premium payments.

As of August 1, 1969, the Company sold $10,000,000 of 6½% convertible subordinated debentures, due August 1, 1994. Unless previously redeemed, the debentures may be converted, at the option of the holder, into shares of common stock of the Company at the conversion price of $30.00 per share. Annual sinking fund payments of $500,000 are required in each year beginning with 1980 (subject to reduction for the principal amount of any debentures redeemed, surrendered for conversion, or otherwise acquired by the Company). The Company has the non-cumulative option of making additional sinking fund payments annually, commencing in 1975. The debentures are subject to redemption at (a) the principal amount, if redeemed through the operation of the sinking fund or (b) at any time, at the election of the Company, at amounts equal to a percentage of principal, on a declining scale, ranging from 105.5% in 1972 to 100.25% in 1988, and 100% thereafter.

The notes, supplemental agreements and indentures contain certain covenants restricting the amount of retained earnings available for the payment of cash dividends or for acquisition of the Company's capital stock. At January 31, 1972 the amount of retained earnings free of such restrictions was approximately $2,700,000.

7. On June 11, 1968, the stockholders approved amendments to the Company's Certificate of Incorporation which provide for: (a) authorization of a new class of 1,500,000 shares of subordinated preferred stock, issuable in series with designations, rights and preferences to be fixed by the Board of Directors at the time of issuance; no shares of this class of stock have been issued; and (b) establishment of a sinking fund to be used for the purchase or redemption annually of 2,500 shares of outstanding 3¾% cumulative preferred stock. Since acquisitions of such preferred stock made in prior years exceeded the cumulative requirement through January 31, 1972, no such stock was acquired in the year then ended.

8. At January, 31, 1972, 139,860 shares of common stock are reserved for issuance under the Company's Incentive Stock Plan. The plan provides that eligible employees may elect to defer certain portions of their compensation toward investment in the Company's common stock at prices approximating current fair market value. Additional shares are contributed by the Company to the extent of 40% of the shares purchased by participants; such additional contribution vests to the extent of 20% annually, on a cumulative basis. As of January 31, 1972, 52,416 shares were purchased by employees (including 2,300 shares as a result of applying dividend equivalents to the purchase of additional shares) and 19,284 shares were contributed by the Company, net of shares forfeited. All shares are generally issuable only upon retirement or termination of employment; in this connection 140 treasury shares were issued during the year ended January 31, 1972.

At January 31, 1971, 54,765 shares of common stock were reserved for issuance under the Company's Stock Option Plan for Key Employees. During the year ended January 31, 1972, all such options expired without exercise. Accordingly, at January 31, 1972, no shares are reserved for this former Plan.

At January 31, 1972, 3,037 shares of common stock are reserved for future issuance under the Incentive Stock Bonus Plan; during the year ended January 31, 1972, 1,104 shares were issued to eligible participants.

The fair market value ($24,768) of shares issued during the year ended January 31, 1972 under the Company's Incentive Stock Plan and the Incentive Stock Bonus Plan, at dates of issue, has been credited to the common stock account.

At January 31, 1972, 175,408 shares of common stock are reserved for warrants in connection with the 5¼% Subordinated Notes, expiring on October 1, 1981, to purchase common stock at a price of $45.95 per share; no warrants were exercised during the year ended January 31, 1972.

At January 31, 1972, 40,999 shares of common stock are reserved in connection with the acquisition of certain subsidiaries (see Note 1).

At January 31, 1972, 333,333 shares of common stock are reserved for issuance upon conversion of the 6½% Convertible Subordinated Debentures (see Note 6).

9. During the year ended January 31, 1972, the Company completed construction of certain store premises at an aggregate cost of approximately $3,500,000, which were then sold for the same amount and leased back. Under the terms of the leases, no material equity in the leased premises will be created. Accordingly, such leaseback arrangements have been treated as lease commitments, and neither the cost of the premises nor the related lease liabilities have been reflected in the consolidated balance sheet.

At January 31, 1972, the Company had long-term leases on buildings, fixtures, and equipment expiring between 1976 and 2026 (without consideration of renewals). Minimum aggregate annual rentals under such leases, exclusive of realty taxes and other charges, approximate $24,500,000. Certain of the leases provide for additional rentals based upon sales.

10. The Company and all domestic and certain Canadian subsidiaries have contributory trusteed (self-administered for Canadian subsidiaries) retirement plans for all eligible employees which provide for retirement benefits based on age, earnings and length of service. Pension costs under these plans approximated $445,000 (before income tax effect) for the year ended January 31, 1972 and $447,000 for the year ended January 31, 1971. The Company policy is to fund pension cost accrued. During the year ended January 31, 1972, certain changes were made in actuarial assumptions, principally to increase the assumed interest rate from 4½% to 5%, which more realistically reflects the experience of the Plans. This change had the effect of increasing net income, after related income taxes, by $130,000.

11. Subsequent to January 31, 1972, the Company announced that an agreement in principle had been reached whereby a subsidiary of McCrory Corporation will merge into the Company pursuant to a merger agreement whereby McCrory Corporation will become the owner of all the common stock of the Company presently outstanding. The definitive merger agreement, which was executed on April 10, 1972, will be submitted to the shareholders of the Company and McCrory Corporation for approval.

In the opinions of Management and outside counsel, the consummation of the merger as presently envisioned will not constitute an event of default under any of the provisions governing the Company's outstanding Cumulative Preferred Stock or long-term debt.

10 Year Summary Highlights

Year‡	**1971**
Number of Units	741
Sales	$418,820
Earnings before federal taxes	$ 440
Net earnings after federal taxes (Note 1)	$ 240
Net earnings per share (Notes 1 and 2)	$ .05*
Shares of common stock outstanding	1,944,390
Merchandise inventories	$ 91,359
Common stockholders' equity	$ 69,103
Book value per share of common stock	$ 35.54
Ratio of current assets to current liabilities	2.0

Note 1—Exclusive of special items, net of tax effects, amounting to a charge in 1971 of $5,875 ($3.02 per share); a credit in 1970 of $1,822 ($0.93 per share); a charge in 1966 of $6,876 ($3.51 per share); a credit in 1964 of $338 ($0.18 per share); a charge in 1963 of $2,220 ($1.15 per share); and a credit in 1962 of $455 ($0.24 per share).

Note 2—Fully diluted earnings, giving effect to the potential conversion of the Convertible Subordinated Debentures which were issued as of August 1, 1969, amounts to $0.52 per common share in 1970 and $2.25 in 1969.

*Indicates loss.

**Restated to exclude certain discontinued Canadian operations.

‡1965 through 1971 are years ended January 31st of the subsequent year; 1962 through 1964 are years ended December 31st.

J. J. Newberry Co. and Subsidiaries

Dollar Amounts (Except Per Share Earnings and Book Values) Shown in Thousands.

1970	1969	1968	1967	1966	1965	1964	1963	1962
746	683**	664	544	529	548	575	574	567
$414,558	$395,157**	$376,098	$360,318	$353,868	$355,667	$336,281	$319,344	$312,511
$ 4,933	$ 11,203	$ 11,207	$ 9,119	$ 6,688	$ 6,895	$ 2,894	$ 3,856*	$ 3,639
$ 1,208	$ 5,073	$ 5,457	$ 5,034	$ 4,403	$ 4,413	$ 2,015	$ 2,556*	$ 1,929
$ .44	$ 2.40	$ 2.59	$ 2.38	$ 2.06	$ 2.08	$ 0.85	$ 1.53*	$ 0.82
1,943,146	1,964,283	1,964,002	1,956,613	1,956,529	1,888,690	1,874,583	1,860,017	1,843,915
$102,573	$ 81,436	$ 85,298	$ 80,922	$ 72,768	$ 77,082	$ 68,310	$ 74,480	$ 84,772
$ 76,539	$ 75,850	$ 73,035	$ 69,165	$ 65,678	$ 68,328	$ 64,753	$ 62,511	$ 67,665
$ 39.39	$ 38.61	$ 37.19	$ 35.35	$ 33.57	$ 35.12	$ 33.54	$ 32.63	$ 35.63
1.8	2.5	2.4	2.6	3.0	3.3	3.6	2.7	2.9

Auditors' Report

To the Board of Directors and Stockholders,

J. J. NEWBERRY CO.:

We have examined the consolidated balance sheet of J. J. NEWBERRY CO. and SUBSIDIARIES as of January 31, 1972, and the related consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the Company and its subsidiaries for the year ended January 31, 1971.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of J. J. Newberry Co. and Subsidiaries at January 31, 1972 and 1971, and the consolidated results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, March 25, 1972 (except as to the events described in Note 11, as to which the date is April 10, 1972).

Consolidated Statements of Changes in Financial Position

Years Ended January 31

	1972	1971
Source of Funds		
Income before extraordinary items	$ 240,484	$ 1,208,346
Charges (credits) to income before extraordinary items not requiring (providing) funds:		
Depreciation and amortization	5,252,934	4,911,633
Deferred income taxes	(1,210,000)	710,000
Deferred compensation	396,374	460,609
Funds provided by operations, exclusive of extraordinary items	4,679,792	7,290,588
Extraordinary gains (losses), net of applicable income tax effects	(5,875,000)	1,822,000
Charges related thereto not requiring funds	4,960,000	425,000
Funds provided by operations	3,764,792	9,537,588
Proceeds from store premises sold and leased back	3,543,000	
Other, net	169,732	345,096
Decrease in working capital	3,596,494	9,489,928
	$11,074,018	$19,372,612
Application of Funds		
Net additions to property and equipment	$ 3,835,215	$11,557,202
Costs related to acquisition of land and construction of store premises sold and leased back	2,574,000	969,000
Property and equipment of subsidiaries at dates of acquisition		569,552
Excess of investment in subsidiaries over net assets acquired (including amounts accrued for contingent payments)	337,000	822,000
Reduction of long-term debt	1,582,673	1,580,837
Reduction of non-current reserve related to the 1967 store closing program	534,000	573,000
Reduction of long-term liabilities to sellers of subsidiaries acquired	409,783	471,865
Cash dividends	1,835,284	2,298,994
Net decrease (increase) in capital stock	(33,937)	530,162
	$11,074,018	$19,372,612
Changes in Working Capital		
Increase (decrease) in current assets:		
Cash	$(2,697,522)	$(4,977,151)
U.S. Treasury bills	(200,112)	(6,971,942)
Customer and other accounts receivable	(407,696)	776,186
Receivable from sale of leasehold interest	(4,000,000)	4,000,000
Merchandise inventories	(11,213,731)	21,136,756
Other current assets	675,874	48,464
	(17,843,187)	14,012,313
Decrease (increase) in current liabilities:		
Canadian bank advances	1,650,723	(2,589,438)
Short-term notes payable	(6,600,000)	
Accounts payable and accrued liabilities	18,519,806	(21,453,028)
Other current liabilities	676,164	540,225
	14,246,693	(23,502,241)
Decrease in Working Capital	$ 3,596,494	$ 9,489,928

The accompanying notes are an integral part of the financial statements.

Operating Divisions & Store Locations

BRITT'S DEPARTMENT STORE DIVISION

Britts (B)	35

NEWBERRY DEPARTMENT STORE DIVISION

Newberry	181
Hested (H)	11
Lee (L)	1
	193

NEWBERRY VARIETY STORE DIVISION

Newberry	185
Hested (H)	44
Lee (L)	15
	244

LEE'S DISCOUNT STORE DIVISION

Lees Discount Stores (D)	3

FREE STANDING RESTAURANTS & CAFETERIAS

Wm. Tally House (WT)	15
Holland House (HH)	6
New B's	1
	22

NEWBERRY FABRIC SHOPS DIVISION

Fabric Shops (F)	39

SUBSIDIARIES

Maternally Yours (M)	16
Tradehome Shoes (TH)	32
	48

CANADA

United Stores (U)	27
Britts (B)	4
Sweet Sixteen (S)	76
Albertino's Shoes (A)	8
Harrison's Fabrics (HA)	25
Gault (G)	17
	157

UNITED STATES

ALABAMA 6
Birmingham (2)
Birmingham (HH)
Dothan
Huntsville (WT)
Oxford (B)

ARIZONA 6
Douglas
Mesa
Phoenix (4)

ARKANSAS 1
Hot Springs

CALIFORNIA 98
Alhambra
Alhambra (B)
Anaheim (F)
Bakersfield (2)
Bell
Beverly Hills
Brawley
Buena Park
Burbank (2)
Camarillo
Compton (3)
Compton (HH)
Corona (F)
Culver City
Downey
Escondido (HH)
Fresno
Fullerton (F)
Garden Grove
Glendora
Granada Hills
Hollywood
Indio (F)
Inglewood
La Habra (2) (F)
LaMirada
LaMirada (F)
Long Beach
Los Angeles (F)
Los Angeles (14)
Los Angeles (HH)
Los Angeles (B)
Merced
Merced (B)
Millbrae (B)
Monterey Park
Norwalk
Oakland
Ontario
Palos Verdes Peninsula
Pomona
Porterville
Redondo Beach (2)
Reseda
Rosemead (F)
Rowland (F)
Saugus
San Diego (4)
San Francisco
San Jose (3)
San Mateo
San Pablo
San Pedro (2)
Santa Ana
Santa Brabara
Santa Clara
Santa Monica (2)
Stockton
Sunland
Sunnyvale
Thousand Oaks
Torrance (2)
Tujunga (F)
Valencia (F)
Vallejo
Van Nuys
Ventura
Visalia
West Covina
Whittier
Whittier (WT)

COLORADO 19
Alamosa (H)
Arvada (H)
Aurora (H)
Craig (H)
Delta (H)
Denver (3) (H)
Florence (H)
Fort Collins (H)
Glenwood Springs (H)
Golden (H)
Grand Junction (H)
Greeley (2) (H)
Monte Vista (H)
Pueblo
Rocky Ford (H)
Sterling (H)

CONNECTICUT 3
Avon (F)
Hartford
Torrington

FLORIDA 11
Bradenton (WT)
Deerfield Beach (WT)
Ft. Lauderdale (B)
Ft. Meyers (WT)
Naples (WT)
Pensacola
Pensacola (WT)
Sea Ranch (WT)
Tallahassee
Tallahassee (WT)
Tarpon Springs (WT)

GEORGIA 3
Atlanta
Columbus
Macon

IDAHO 6
Boise
Idaho Falls
Idaho Falls (B)
Lewiston
Pocatello
Twin Falls

ILLINOIS 7
Collinsville
Granite City
Litchfield
Macomb
Melrose Park
Rock Island
West Frankfort

INDIANA 12
Auburn
Decatur
East Chicago
Goshen
Hammond
Hartford City
Jasper
Marion
Martinsville
Muncie (B)
Muncie (HH)
Whiting

IOWA 8
Boone (TH)
Denison (L)
Dubuque (TH)
Glenwood (L)
Marshalltown (TH)
Mason City (TH)
Muscatine (TH)
Storm Lake (L)

KANSAS 3
Coffeyville
Marysville (H)
Parsons

KENTUCKY 24
Bardstown
Bowling Green (WT)
Central City
Corbin
Cynthiana
Danville
Danville (B)
Elizabethtown
Glasgow
Harlan
Harrodsburg
Hazard
Henderson
Lebanon
Louisville
Mayfield
Mt. Sterling
Paris
Pineville
Richmond
Richmond (B)
Somerset
Winchester
Winchester (B)

MAINE 17
Brunswick
Calais
Caribou
Dover-Foxcroft
Eastport
Ellsworth
Ellsworth (B)
Farmington
Fort Kent
Lincoln
Madawaska
Mars Hill
Millinocket
Norway
Rockland
Rumford
Van Buren

MARYLAND 10
Annapolis (B)
Bel Aire (F)
Bowie (F)
Brunswick
Elkton
Hagerstown
Lutherville (F)
Perring Manor (F)
Pocomoke City
Reistertown (F)

MASSACHUSETTS 18
Bridgewater
Chelsea
Fall River
Falmouth
Franklin
Gardner
Newburyport
North Adams
North Adams (WT)
Northampton
North Attleboro
Peabody
Pittsfield
Stoughton
Wakefield
Westfield
Westfield (F)
Whitman

MICHIGAN 5
Alma
Calumet
Houghton
Ishpeming
Three Rivers

MINNESOTA 10
Albert Lea (TH)
Austin (TH)
Fergus Falls (TH)
Mankato (TH)
Marshall (TH)
Moorhead
Rochester (TH)
St. Cloud (TH)
Willmar (TH)
Winona (TH)

MISSISSIPPI 4
Biloxi
Biloxi (WT)
Meridian
Tupelo (B)

MISSOURI 9
Columbia
Excelsior Springs
Kansas City
Maplewood
Poplar Bluff
Richmond Heights
Sikeston (B)
St. Louis (B)
Springfield

MONTANA 4
Billings
Great Falls (H)
Hardin (H)
Missoula

NEBRASKA 39
Ainsworth (L)
Albion (L)
Alliance (H)
Auburn (H)
Aurora (H)
Beatrice (H)
Bellevue (H)
Central City (H)
Chadron (H)
Columbus (TH)
David City (L)
Fairbury (H)
Falls City (H)
Geneva (H)
Gering (H)
Gordon (L)
Grand Island (H)
Hastings (H)
Hebron (H)
Holdrege (H)
Kearney (TH)
Kimball (H)
McCook (H)

Minden (H)
Nebraska City (H)
Neligh (H)
Norfolk (H)
Ogallala (L)
Omaha (2) (H)
O'Neill (L)
Ord (L)
Ralston (H)
Sidney (L)
Superior (H)
Tecumseh (H)
Valentine (L)
West Point (H)
York (H)

NEW HAMPSHIRE 8

Concord
Concord (B)
Dover
Franklin
Laconia
Littleton
Plymouth
Portsmouth

NEW JERSEY 35

Asbury Park
Atlantic City
Berkeley (F)
Boonton
Brick Town (B)
Caldwell
Chatham (F)
Dover
East Brunswick
Flemington (F)
Florham Park (F)
Freehold
Freehold (B)
Hackettstown
Hazlet (F)
Howell (F)
Keyport
Lake Hiawatha (F)
Long Branch
Manahawkin (F)
Millville
Neptune (F)
New Brunswick
Newton (B)
Paramus (M)
Paramus
Point Pleasant (NB)
Red Bank
Somerville (F)
Springfield
Toms River (F)
Union (F)
Verona
Vineland
Woodbridge (M)

NEW MEXICO 3

Farmington (B)
Las Vegas
Raton

NEW YORK 62

Albion
Batavia
Bayshore
Binghamton (B)
Brentwood (F)
Buffalo (M)
Canton
Canton (B)
Catskill
Cobleskill
Cooperstown
Corning
Cortland
Elmira
Endicott
Fishkill (F)
Garden City (M)
Gloversville
Gloversville (B)
Gouverneur
Greenpoint
Hicksville
Hudson
Hudson (F)
Huntington (M)
Ithaca
Kingston (B)
Lake Grove (M)
Lake Ronkonkoma (F)
Lyons
Malone
Manhasset
Massena
Merrick (F)
Middletown
New York City (8) (M)
Northville
Ogdensburg
Oneonta
Owego
Penn Yan
Perry
Plainview (F)
Saranac Lake
Saratoga Springs
Saugerties
Ticonderoga
Tupper Lake
Valley Stream
Valley Stream (M)
Walton
Watertown
Wellsville
Whitehall
White Plains (M)

NORTH CAROLINA 1

Monroe

NORTH DAKOTA 6

Bismarck (L)
Devil's Lake (TH)
Fargo (TH)
Grand Forks (TH)
Minot
Valley City (TH)

OHIO 15

Ashland
Ashtabula
Bryan
Bucyrus
Cambridge
Chillicothe (B)
Cincinnati
Cleveland
Coshocton
East Palestine
Findlay (B)
Mentor
Painesville
Tiffin
Wooster

OKLAHOMA 2

Okmulgee
Sapulpa

OREGON 11

Astoria
Bend
Eugene
Medford (2)
Portland (3)
Portland (HH)
Roseburg
Salem

PENNSYLVANIA 39

Berwick
Carbondale
Chambersburg
Coalport
Coatesville
Danville
DuBois
Edwardsville (F)
Ephrata
Forest City
Freeland
Hazelton (F)
Jersey Shore
Jim Thorpe
Kennett Square
Lansford
Lewisburg
Lock Haven
Milton
Mt. Carmel
Newport
Northampton
Oxford
Pottstown
Pottstown (B)
Renovo
Royersford
Sayre
Shamokin
Shenandoah
Somerset
Stroudsburg
Sunbury
Tamaqua
Towanda
Waynesboro
Wellsboro
Williamsport (B)
York (WT)

RHODE ISLAND 3

Newport
Warren
West Warwick

SOUTH CAROLINA 3

Aiken (D)
Camden
Orangeburg (D)

SOUTH DAKOTA 19

Aberdeen
Aberdeen (TH)
Belle Fourche (L)
Brookings (TH)
Chamberlain (L)
Huron
Huron (TH)
Lead
Mitchell
Mitchell (TH)
Pierre
Pierre (TH)
Rapid City
Sioux Falls (B)
Vermillion
Watertown (TH)
Winner (L)
Yankton
Yankton (TH)

TENNESSEE 3

Gallatin
Jellico
Johnston City (B)

TEXAS 9

Austin
Beaumont
Bryan (B)
Eagle Pass
El Paso (2)
Houston (B)
Houston
Texarkana

VERMONT 7

Barre
Bellows Falls
Newport
Springfield (B)
White River Junction (WT)
White River Junction
Windsor

VIRGINIA 10

Culpeper
Fredericksburg
Front Royal
Lexington
Martinsville (D)
Salem
South Boston
Waynesboro
Winchester
Wytheville

WASHINGTON 11

Bellevue
Bellingham
Longview (B)
Renton
Richland
Seattle
Spokane (3)
Walla Walla
Yakima

WEST VIRGINIA 1

Charles Town

WISCONSIN 6

Appleton (TH)
Eau Claire (TH)
Stevens Point (TH)
Superior (TH)
Superior
Wausau (TH)

WYOMING 7

Buffalo (H)
Douglas (H)
Gillette (H)
Laramie (H)
Newcastle (H)
Rock Springs
Wheatland (H)

CANADA

ALBERTA - 35

Calgary (5) (S)
Calgary (2) (HA)
Camrose (S)
Edmonton (8) (S)
Edmonton (8) (A)
Edmonton (3) (HA)
Grand Prairie (S)
Lethbridge (3) (S)
Medicine Hat (S)
Red Deer (2) (S)
Stettler (S)

BRITISH COLUMBIA - 73

Abbotsford (S)
Burnaby (3) (S)
Burnaby (HA)
Burns Lake (G)
Campbell River (S)
Castlegar (G)
Chilliwach (S)
Cortenay (S)
Dawson Creek (S)
Delta (S)
Delta (G)
Fort St. James (G)
Fort St. John (G)
Gold River (G)
Grand Forks (G)
Haney (S)
Kamloops (2) (S)
Kellowna (S)
Kerrisdale (S)
Kitimat (G)
Langley (S)
Masset (G)
Merritt (G)
Nanaimo (2) (S)
Nelson (S)
New Westminster (2) (S)
North Burnaby (S)
North Vancouver (S)
North Westminster(S)
One Hundred Mile House (G)
Penticton (S)
Port Alberni (S)
Powell River (G)
Powell River (S)
Prince George (2) (S)
Prince Rupert (S)
Prince Rupert (G)
Ocean Falls (G)
Quesnel (S)
Richmond (S)
Smithers (G)
South Burnaby (S)
Surrey (S)
Terrace (S)
Terrace (G)
Trail (2) (S)
Vancouver (14) (S)
Vernon (S)
Victoria (2) (S)
Victoria (HA)
White Rock (G)
Williams Lake (S)

NEW BRUNSWICK - 1

Saint John (U)

ONTARIO - 3

Cornwall (HA)
Ottawa (U)
Sarnia (B)

QUEBEC - 45

Charlesbourg (U)
Chicoutimi (U)
Chomedey (U)
City of Quebec (2) (HA)
Dorval (U)
Drummondville (U)
Joliette (U)
Jonquiere (U)
Lachine (HA)
Lachine (U)
Longuevil (U)
Montreal (4) (U)
Montreal (14) (HA)
Pierrefonds (B)
Quebec (2) (U)
Rimouski (U)
Rimouski (B)
Sherbrooke (U)
Sorel (U)
Ste-Foy (U)
St. Hyacinthe (U)
St. Jean (U)
Trois Rivieres (2) (U)
Vald'or (B)
Valleyfield (U)
Verdun (U)

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